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Sent via email

Re: Northwest Requirements Utilities Comments on BPA's Discussion Paper on the Tiered Rates Methodology

Northwest Requirements Utilities ("NRU") appreciates this opportunity to respond to the BPA Discussion Paper on the Tiered Rates Methodology dated December 21, 2007 ("TRM"). NRU represents the interests of 53 load following customers on issues related to power supply and transmission service. NRU members account for over 1,900 aMW of load, roughly a quarter of BPA's public power loads. Load following customers rely upon BPA primarily or exclusively for both power supply and transmission services. As a result, the questions raised and proposals made in this TRM are critical to our membership and the retail customers they serve.

Our comments were drafted by NRU staff, reviewed with our Power Supply Committee, and shared in advance withthe NRU Board of Directors. While these comments represent the overall recommendations/questions/observations of the membership of NRU, it is difficult to achieve unanimity on such a broad range of topics, and some utilities may have additional or stronger views regarding specific topics, or may disagree with a few of the points made in this document. Therefore, we have encouraged individual members to submit their own comments if they deem necessary.

NRU generally supports the broad goals and approach taken by BPA in the TRM. The goal of the tiered rates construct is to preserve the value of the FBS system for preference customers while encouraging these customers to develop resources instead of BPA. We agree that it is essential to retain the value of the Federal Base System ("FBS") for the region and for BPA's customers. It is also essential that we clearly define BPA's responsibility and rate treatment for meeting both its current load and the load growth that will be placed on the Agency. Therefore, these issues must be addressed on a timely basis so that customers will have the ability to plan for the future. Proposed solutions need to create the greatest possible stability, and provide customers with a reasonable set of product and service choices, yet minimize unnecessary complexity over the long term. However, we don't have enough information to know whether these goals will be achieved with this TRM. In particular, the time to continue working on this is short and the rules (regarding rates, products, services) are either complicated or still under development, making any decision difficult.

NRU agrees with BPA that there is a need for an aggressive schedule to implement the Policy Proposal. In order to make informed and coordinated decisions, utilities need as much time as possible to plan and take actions for the contract period beginning October 1, 2011. To achieve this utilities have to have sufficient and timely information regarding both BPA power and BPA transmission policies, products, practices and other matters.

NRU would like to express support for the following elements of the TRM:

- BPA has been generally responsive to the needs and comments of small preference customers, and NRU appreciates that.
- We support the general direction of the Tiered Rates concept; however, we do have comments as described below and in the more detailed attachment. These two NRU documents should be taken as a whole.
- We support the proposed transition period which was developed in response to the customers' request for more time to make important power supply decisions. BPA must make the goal of the transition period viable by providing necessary information and rate alternative descriptions (sufficiently ahead of a deadline) to enable customers to make informed choices regarding their service by November 2009.
- We support BPA's proposal to offer a vintage renewable rate in 2009 and commit to working with BPA to develop this rate in a timely fashion.
- We support the customers' Tier 1 rate design proposal. The rate design proposal is the result of months of work among the customers and BPA staff and has resulted in a rate design that has minimal rate impacts on individual customers when compared to current rates. BPA has added elements to this concept that lead to more complexity and are unnecessary.
- We support the use of CRACs and PNRR (to the extent necessary) as risk mitigation devices for the Tier 1 rate for load following customers, instead of true-ups for Tier 1.
- We agree that the issues the Slice customers have about the inclusion or exclusion of costs and revenues in the Slice rates are issues that should be resolved in rate cases where all parties may participate.
- We support the Shared Rate Plan, but continue to request that any limit if needed on the plan not be placed at 500 aMW. NRU believes the Shared Rate Plan should be available for at least 1000 aMW of load. NRU previously communicated this support to BPA by letter dated November 15, 2007.
- We strongly support BPA's proposal for the Low Density Discount.
- We strongly support BPA's proposal for Irrigation Rate Mitigation.
- We appreciate BPA's recognition that each Tier 2 rate alternative will have its own revenue requirement, cost pool and risk mitigation tools. These concepts are very important and need to be fully developed.
- We support BPA's proposal to work bilaterally with its customers to implement conservation in lieu of Tier 2 rate alternatives.

What follows are those specific areas of concern that NRU has about the TRM proposal

Tier 1 and Tier 2 cost leakage

The TRM states that "BPA must preserve the ability to reallocate costs to the Tier 1 rate in the unlikely event that Tier 2 costs cannot be fully recovered through the PF Tier 2 rate." (Page 3,

lines 1 and 2). This raises two issues: cost leakage from Tier 2 to Tier 1, and cost leakage between the Tier 2 rate pools. The potential for leakage of Tier 2 costs into Tier 1 must be minimized along with the potential for leakage of Tier 2 costs between Tier 2 rate pools. If Tier 2 costs are allowed to leak into Tier 1 then Tier 2 costs become subsidized. This would make the whole tiered rates concept questionable. Also, if Tier 2 costs are allowed to leak from one Tier 2 rate to another Tier 2 rate, BPA may not be a viable Tier 2 provider, due to the potentially greater risks of Tier 2 customers to face costs that are not contemplated and are beyond their control. BPA and the customers must work together to ensure that such cost leakage is truly minimized. BPA should add as a seventh principle on its list of cost allocation principles on page 33: "The costs from one Tier 2 rate pool should not be allowed to flow into another Tier 2 rate pool."

The Regional Dialogue Product Catalogue

The Regional Dialogue Product Catalogue is mentioned on page 3 but is not provided. Without this document customers do not have a clear idea of where this whole process is headed or what their product choices will be. We urge BPA to have this document available for customer comment as soon as possible.

What types of resources will be used to provide up to 300 aMW of augmentation?

BPA has proposed that it will pursue up to 300 aMW of augmentation in order to better align BPA's loads and resources post 2011. This augmentation proposal and level is consistent with the PPC recommendation of April 2006. In the TRM BPA states that it will make "up to 300 aMW of augmentation energy from BPA's long-term resource acquisitions after FY 2006 which has its costs included in the Tier 1 rate." (Page 5, lines 17 to 19). On October 9, 2007, BPA announced the purchase of 50 megawatts (15 aMW) from PPM Energy's Klondike Wind Power III. This purchase was made without customer input and will go toward the 300 aMW augmentation limit. Purchasing non-capacityproviding resources when BPA has said that the system is capacity constrained is a questionable strategy. In the future customers must have a say over what types of resources will be acquired for augmentation purposes, since they will pay for these costs in Tier 1 rates. Please identify the process for this input and refrain from making other non-capacity related resource choices until the process is completed.

Conservation and HWMs

On page 11, lines 6 to 8, and page 12, lines 14 to 18, BPA states that in order to count toward the conservation HWM adjustment, conservation must be "verifiable and cost effective." This will be a major disadvantage to those utilities with proportionately large residential sectors where cost effective measures have already been taken and/or the measures that are being installed are not considered cost effective by the Council but still save energy. A good example is the difficulties with getting credit for various types of heat pumps. While heat pumps do save electricity they may not qualify for the HWM conservation credit due to the fact that they are not considered cost effective by the RTF, yet the general sense of the utility community is that they are cost effective. Other conservation measures, such as windows, attic, wall and floor insulation, are in a similar situation. As a consequence, utilities primarily serving residential sectors now need to rely heavily on compact fluorescent light bulbs to acquire their share of the regional conservation target.

Another major issue is that the determination of what is cost effective is expected to change as the Council develops its Sixth Power Plan. That which may not have been cost effective under the Fifth Power Plan may or may not be considered cost effective under the Sixth Power Plan. Thus, those measures that may receive a conservation HWM credit in 2007 may or may not receive a conservation credit in 2010. We clearly need to work in coordination with the Power and Conservation Council on this topic to see if this construct is the best approach.

Tier 1 Rate Design

The extensive work that public power engaged in with BPA to develop a rate design for Tier 1 may be jeopardized due to changes BPA has suggested in the TRM Paper. The changes negatively affect how customers view the rate design proposal, and this is unfortunate. It also creates winners and losers, a condition that the customer rate design mitigated. Our specific comments on Tier 1 rate design, with page cites, follow.

- In the discussion of the customer charge there is no description of how the charge would be collected, either as a flat monthly charge or shaped to load. In talking with the membership of NRU, the customer charge and its monthly shape will have a big effect on the customer's cash flow since the customer charge will cover 90 percent of a customer's power bill from BPA at the outset. We suggest that the choice of whether the customer charge be the same each month or shaped to load should be at the discretion of the customer.

- On page 42, lines 5 to 14, BPA proposes two different load shaping charges, one for when load is above the rate period HWM and one for when the load is below the rate period HWM. This seems like it could be fairly complicated to implement, especially when a customer is just above or below its HWM. We have not discussed this proposal before and withhold judgement on it until we understand the implications.

- On page 43, lines 20 to 21, BPA states that the demand rate "will be proportionally shaped to the HLH prices from the load shaping rate." We strongly object to this proposal. This will add additional complexity to an already complicated demand charge and will lead to high variability of the demand charge rate period to rate period. This is at odds with our desire to have a stable rate design over time since the monthly shape of the demand charge will change each rate period as will the generic capacity resource.

- On page 43, line 13, a historical contract demand quantity is used in the Billing demand equation. As was discussed at the January 8th workshop this could lead to a situation where if the system is de-rated in terms of capacity there will be more exposure to the demand charge. The historical contract demand quantity may need to be adjusted for the loss of a resource. More discussion is needed here.

- On page 45, line 8, BPA proposes to adjust the contract adjusted Customer System Peak by 90 percent to ensure that some portion of each customer's demand is on the margin. The need for this 90 percent adjustment must be revaluated given that BPA is projecting that all customers will be exposed to Tier 2 in 2012. Presumably this will be the case on the energy side as well as the demand side and such an adjustment will not be necessary.

- On page 46, lines 2 to 11, a load following charge for following load on an hour to hour basis is proposed. This new proposal is inconsistent with the customer rate design proposal. Double charging may occur especially when viewed in the context of the rates that customers also pay to BPA Transmission service. We object to this proposal.

Tier 2 Rate Alternatives

Tier 2 rate alternatives are a crucial and integral part of BPA's proposed tiered rates world. Some progress has been made in developing a rough sketch of BPA's Tier 2 rate options, but there remains several significant holes that need to be filled. These include: developing and defining each Tier 2 rate alternative's revenue requirements, cost pool, and risk mitigation measures; preventing cost migration between Tier 2 rates; and developing Tier 2 rate alternatives.

As the TRM notes and as NRU strongly supports, each Tier 2 rate alternative will need to have its own revenue requirement, cost pool and risk mitigation tools. While the TRM mentions these concepts (page 49, lines 11-12; page 50, line 9; page 50, lines 7-11), it is critical that they are fully developed. Equally important is preventing the leakage of costs among Tier 2 rate alternatives. While BPA has acknowledged this general concept (on pages 49 to 50), it is pertinent that BPA fully develops and defines the structure of Tier 2 rate cost pools and risk mitigation measures, including how each rate will contain and recover its own costs. In this light, we propose an additional principle to the six cost allocation principles listed on pages 32 to 33: "The costs from one Tier 2 rate pool should not be allowed to migrate into other Tier 2 rate pools." Such a concept is necessary for BPA Tier 2 rate alternatives to be a sustainable alternative for customers to serve their above HWM.

It is critical for Tier 2 rate alternatives to be developed on a timely basis so that customers have sufficient time to analyze both BPA and non-federal power supply options prior to November 2009. With regard to the vintaged renewables rate, customers need to be updated on the probability of its availability and preferably offered a prospectus as soon as possible. The rate structure (page 50) for vintaged Tier 2 rates should indicate which costs are fixed and which costs will vary (if applicable); this information should be included in the prospectus.

NRU recognizes the challenges involved in developing Tier 2 rates and is committed to working with BPA to provide customer input as necessary.

What happens in 2028?

If BPA is to be a viable provider of Tier 2 power for the long term, we need to address the issue of the availability of the various Tier 2 rate alternatives (including both Load Growth and Vintaged Tier 2) post 2027.

The Regional Dialogue contract term is 17 years from 2012. As customers move through time under their contracts the duration remaining under the contract gets increasingly short. If customers are faced with no rights after 2027 compared to the BPA Tier 2 rate alternatives they used to serve load above their HWM prior to 2027, and if BPA moves to increasingly shorter and shorter term arrangements to serve load growth above HWM, then customers will likely face the issue of lacking a known supply for the future. This will be accompanied by the problem of

replacing such supplies at the prevailing market price or marginal cost. In contrast, non federal supply options have no 20 year time limit and thus can extend beyond. BPA needs to provide an opportunity for utilities to rely on the Agency as a long term resource supplier continuing beyond 2027.

This is a major issue that impacts the long term economics of serving load with BPA Tier 2 rate alternatives. We would like to work with BPA to find creative ways to address this issue.

Shared Rate Plan

While NRU appreciates BPA's development of a Shared Rate Plan, we object to the imposition of certain limitations. BPA has proposed capping participation at 500 aMW of load. Any cap should be increased to at least 1000 aMW. Another concern is the prohibition (page 47, lines 15 to 16) of using another resource (non-federal or another BPA Tier 2 rate) to serve the first *x* aMW of load (like the option available for customers taking the Load Growth rate). From BPA's perspective, if a participant in the Shared Rate Plan uses another resource to serve part of its above HWM load, this would appear simply as a smaller load to be served. BPA would know the exact amount of load that would be met by another resource and would be able to plan accordingly. At the clarification session, BPA said it did not think participants in the Shared Rate Plan would want to bring in another resource, so BPA decided to exclude the option. This is not a sufficient reason. Participants in the Shared Rate Plan need to have the opportunity to serve the first *x* aMW of their load with another resource. This may be particularly important for utilities needing to incorporate renewable energy into their portfolio.

Timeline

The timeline described on pages 47 to 48 is aggressive, but NRU agrees it is feasible provided that BPA supplies customers with sufficient information (well prior to a deadline) to make informed decisions. Additionally, we ask that BPA add the same date specificity in the deadlines listed on page 47 as provided in the deadlines listed on page 48. We request that the dates should be December 31, 2008, and November 30, 2009, in order to provide customers with as much time as possible to make well-informed decisions.

Notice Provisions and Commitment Periods

While it is important for both BPA and customers to know their responsibilities for power delivery in a timely manner, the three year notice for a five year commitment suggested by BPA is unduly restrictive. This would mean a customer would need to select a power source up to eight years in advance of delivery, despite the possibility of significant changes that may occur during that time period. Customers need to have more flexibility in order to make well-informed resource choices. We would like to work with BPA to explore opportunities that will provide flexibility (both in terms of timing and regarding the requirement to commit to the Short-Term Tier 2 rate in order to be eligible to opt into a forthcoming vintaged Tier 2 rate) for customers, while assuaging BPA's concerns of stranded costs and other issues.

Resource Support Services (RSS)

In general, NRU believes Resource Support Services is a valuable option, but is in need of further discussion and clarification. Following the January 15 clarification session, NRU will submit additional comments on RSS.

NRU is concerned about the limitations placed on the resource remarketing service of RSS. BPA states that it will limit the size of the resource to be remarketed to the forecasted amount of the utility's load growth over a five year period. Limiting the resource to load growth over a five year period is unduly restrictive and hampers a customer's ability to secure reasonably priced power. Effectively, this limit would require customers to participate in a power market that resembles a shorter-term market rather than a longer-term market, which may inflate prices. The resource remarketing service should be available for resource sizes that would cover at least ten years of load growth.

Concluding Comments

NRU staff appreciates the fact that BPA employees involved in Regional Dialogue and related rates issues invested a significant amount of concentrated time shortly before the holiday season to draft a first conceptual version of the Tiered Rates Methodology. Having an initial document and a clarification session, and an opportunity to provide written comments helps customers provide substantive input to the Agency in advance of the release of the next draft TRM (planned for the end of the month.) Given the press of the Regional Dialogue schedule, we do not expect the Agency to issue a formal written response to our comments. However, we strongly urge BPA to adopt our recommendations, to agree to provide more information on key topics, and in general to follow the rate design approach recommended by the customers. We believe the flexibility we are willing to support for customers with generation resources is aligned with the benefits provided in the design recommended for Load Following customers. Thanks again for the opportunity to comment.

NRU Detailed Comments on BPA Staff TRM of December 21, 2007

- Page 3, lines 1 and 2. The potential for leakage of Tier 2 costs into Tier 1 must be minimized along with the potential for leakage of Tier 2 costs between Tier 2 rate pools.
    - It is imperative to minimize the potential for cost leakage from Tier 2 to Tier 1. This is necessary in order to make the whole tiered rates concept viable.
    - Also, if Tier 2 costs are allowed to leak from one Tier 2 rate to another Tier 2 rate, BPA may not be a viable Tier 2 provider. We would encourage BPA to develop materials on how risk and potential Tier 2 customer default situations will be addressed.

- Page 3, line 8. The Regional Dialogue Product Catalog is mentioned but not provided.
    - Without this document customers do not have a clear idea of where this whole process is headed or what their product choices will be.
    - In addition, please see later comments on need for improved and timely information on Tier 2 rate alternatives.
    - We need a full schedule and implementation plan for the Tiered rates process.

- Page 3, lines 21 and 22. "The cost distribution will be based on a utility's measured retail load..."
    - The effect of not including distribution losses in the calculation needs review. It was our understanding that the cost distribution would be based on the load placed on BPA at the wholesale level not at the retail level.

- Page 5, line 17 to 19, and page 26, lines 3 to 5. BPA proposes to count any augmentation done after 2006 towards the 300 aMW augmentation amounts.
    - Customers must have meaningful input regarding what types and amounts of resources will be acquired for augmentation purposes, since they will pay for these costs in Tier 1 rates. In addition, we are especially concerned about the need for resources that produce dependable capacity. Any resource program analysis by BPA must pay special attention to this issue.

- Page 11, lines 6 to 8, and page 12, lines 14 to 18. In order to count toward the conservation HWM adjustment, conservation must be "verifiable and cost effective."
    - This will be a major disadvantage to those utilities with proportionately large residential sectors where cost effective measures have already been taken given certain features of BPA residential program design and related verification requirements and/or the measures that are being installed are not considered cost effective by the Council but still save energy. A good example is the difficulties with getting credit for various types of heat pumps. While heat pumps do save electricity they may not qualify for the HWM conservation credit due to the fact that they are not considered cost effective by the RTF, yet the general sense of the utility community is that they are cost effective. Other conservation measures, such as windows, attic, wall and floor insulation, are in a similar situation. As a consequence, utilities primarily

serving residential sectors now need to rely heavily on compact fluorescent light bulbs to acquire their share of the regional conservation target.

- We urge BPA to closely examine what role conservation will play in the tiered rates world, and explore possible adaptations to existing policies as necessary.

- Page 15, lines 16 to 20. BPA Customers serving Irrigation load are willing to provide savings to the PTR system and should get HWM credit for these savings.

- Page 19, line 22. BPA needs to define what "off the top" resources are. Are these the resources referenced in section 3.1.2, pages 24-25, as "Other BPA Contract Obligations"?
    - If "off the top" resources include capacity contracts or other power dispositions to non-preference customers, those resources need to be available to serve RHWMs when the contract terms end.
    - The whole topic of "off the top" resources needs re-examination as these uses of the FBS reduce the amount of Tier 1 power available to preference customers.

- Page 20, line 17 and 18, and page 21, lines 5 to 9. BPA states it will use forecasts for setting the HWM for 2012 – 2014. This is a new approach. We need examples of how this new approach would work, including information on any impacts on potential load variance charges, but it does seem responsive to customers' needs while highlighting the importance of load forecasts. BPA and customers need to work together on how the various forecasts impacting Tier 1 and Tier 2 purchase amounts in the Transition Period will be done.

- Pages 22 to 23, lines 25 to 2. BPA expects that public customers will agree to forgo REP benefits associated with new resource costs to receive a contract that provides them a HWM.
    - BPA needs to work with customers to explore what will happen if some public customers do *not* agree to forgo their REP benefits for new resource costs.
    - BPA needs to add that "old" resources (pre-2006) will still be eligible for REP benefits.

- Page 24, lines 2 to 4. BPA states that its forecast of hydro output will be developed for each year in each rate case for use in the RHWM process.
    - Where does BPA expect that issues regarding the annual output of the federal system will be resolved? Customers need to have effective input into this decision.

- Page 28, lines 2 to 4. BPA states that it may augment the system to sell power to the DSIs.
    - BPA should not be making any sales of power to the DSIs.

- Page 39, lines 8 to 17. In the description of the customer charge there is no discussion of how the charge would be collected, either as a flat monthly charge or shaped to load.
    - The choice of whether the customer charge should be the same each month or shaped to load should be at the discretion of the customer.

- Page 42, lines 5 to 14. BPA proposes two different load shaping charges, one for when load is above the rate period HWM and one for when the load is below the rate period HWM.
    - We have not discussed this proposal before and cannot support it until we understand the implications.

- Page 43, lines 20 to 21. BPA states that the demand rate "will be proportionally shaped to the HLH prices from the load shaping rate."
    - We strongly object to this proposal. This will add additional complexity to an already complicated demand charge and will lead to high variability of the demand charge rate period to rate period. This is at odds with our desire to have a stable rate design over time.

- Page 43, line 13. A historical contract demand quantity is used in the Billing demand equation. As was discussed at the January 8th workshop this could lead to a situation where if the system is de-rated in terms of capacity there will be more exposure to the demand charge.
    - The historical contract demand quantity may need to be adjusted for the loss of a resource. More discussion is needed here.

- Page 45, line 8. BPA proposes to adjust the contract adjusted Customer System Peak by 90 percent to ensure that some portion of each customer's demand is on the margin.
    - We should reevaluate the 90 percent adjustment given that BPA is projecting that all customers will be above their HWM in 2012. Presumably this will be the case on the energy side as well as the demand side.

- Page 46, lines 2 to 11. A load following charge for following load on an hour to hour basis is proposed.
    - The addition of this rate does appear to have an upward rate impact on the load following customers while leading to a rate decrease for the block customers. Also, we are concerned that double charging may occur especially when viewed in the context of the rates that customers also pay to BPA Transmission service.

- Throughout the TRM, BPA references several topics that are extremely important and are in need of further development. These include: individual Tier 2 revenue requirements and cost pools; risk mitigation; the prevention of cost migration between different Tier 2 rate pools; and the development of Tier 2 rate alternatives in a timely and thorough manner.
    - Each Tier 2 rate alternative needs to have its own revenue requirement and cost pool, a concept mentioned several times (page 49, lines 11-12; page 50, lines 7-11) but is in need of further development.
    - Risk mitigation (page 50, lines 7-11) is an important and necessary concept and needs to be fully developed.
        - We urge BPA to develop materials on how risks for Tier 2 rate alternatives and potential Tier 2 rate alternative default situations will

be addressed. Without this subject being adequately addressed in the TRM, the TRM will be seriously flawed.

- Prevention of cost migration **between** Tier 2 rate alternatives is necessary, but needs to be further developed.
  - On pages 32 and 33, BPA lists six cost allocation principles. We would propose a seventh cost allocation principle: "The costs from one Tier 2 rate pool should not be allowed to flow into another Tier 2 rate pool."
  - Additionally, clarification is needed on page 46, lines 15 to 18, where BPA appears to be suggesting that customers selecting any Tier 2 rate alternative are "agreeing to pay for the marginal costs of resource acquisitions and purchases BPA must make" for any and all Tier 2 rates in general. It needs to be clarified that customers are responsible for paying the costs of the resources of only their selected Tier 2 rate alternative(s).
- We need descriptions of BPA Tier 2 rate alternatives, including a vintaged renewables rate, as soon as possible so customers can have this information as they analyze their options for serving above HWM load (page 46, lines 21-22; page 47, line 21). For a vintaged rate, customers need to be updated on the probability of its availability and preferably offered a prospectus as soon as possible. The rate structure (page 50) for vintaged Tier 2 rates should indicate which costs are fixed and which costs will vary (if applicable); this information should be included in the prospectus.

- Page 47, lines 5 and 19. The same date specificity should be added to the deadlines on this page as are on page 48. We argue that the dates should be December **31**, 2008, and November **30**, 2009, in order to provide customers with as much time as possible to make well-informed decisions.

- Page 47, lines 15 to 16. BPA says a utility participating in the Shared Rate Plan may not apply a non-federal resource or another BPA Tier 2 rate to meet a portion of its above HWM load (even though a customer taking the Load Growth rate may do so).
  - We do not support the prohibition of a participant in the Shared Rate Plan from using a non-federal resource or another BPA Tier 2 rate to meet the first *x* aMW of its above HWM. From BPA's perspective, if a participant in the Shared Rate Plan is using another resource to serve part of its above HWM load, this would appear simply as a smaller Shared Rate Plan load than would otherwise have been the case. BPA would know precisely how much of another resource would be used, and would therefore be able to plan accordingly.
  - At the clarification session, BPA said it did not think participants in the Shared Rate Plan would want to bring in another resource, so BPA decided to not offer the option. This is not an adequate reason. Participants in the Shared Rate Plan need to have the opportunity to serve the first *x* aMW of their load with another resource. This may be particularly important for utilities needing to incorporate renewable energy into their portfolio.

- Pages 47 to 48. The timeline of contract signing and notifications is aggressive, but we feel it is feasible **provided** that BPA supplies customers with sufficient information (well prior to a deadline) to make informed decisions. In order to make informed decisions about how to serve load above HWMs, customers need more information about their net requirements calculations, rate period high water marks, contract high water marks (if these are subject to change), the Tier 1 FBS capability, and their Tier 2 choices. NRU asks BPA to provide more detail about the timing of decisions and information on these critical matters relating to future service.

- Pages 47 to 48. A 3-year notice provision for a 5-year commitment greatly constrains a customer's ability to make well-informed choices. We would like to work with BPA to allow additional flexibility including the apparent requirement to commit to BPA's Short Term Tier 2 rate alternative to be eligible to make a subsequent selection of a BPA vintaged Tier 2 rate alternative while assuaging BPA's concerns regarding stranded costs and other issues.

- Page 51, §7.4. "Remarketing of Tier 2 Amounts"
    - BPA has stated it will credit unused amounts of Tier 1 or Tier 2 against customers' bills.
    - We request an explanation and an example of how BPA intends to track these Tier 1 or Tier 2 credits (from an accounting perspective).
    - We also ask that this section be rewritten to clearly lay out how remarketing of Tier 2 amounts would look for a Load Following customer purchasing a BPA Tier 2 rate in amounts that *vary* and if purchasing BPA Tier 2 in a *fixed* amount.

- Page 52, lines 1 to 2. A customer should be able to choose whether it wants to keep the green attributes from the remarketed portion of a renewables Tier 2 rate alternative or whether those green attributes should be remarketed along with the power and the customer receiving the appropriate market value of such green attributes above the value of the power itself.

- Page 52, line 7. BPA should clarify what "periodically" means, and ensure that customers have sufficient flexibility to opt in to a new Tier 2 rate.

- Page 59, line 5. The language requires a customer to "dedicate an entire resource," but this is overly broad and vague. The language should be reworded to "the customer's portion of the resource."

- Page 59, lines 15 to 17. For the resource remarketing service, BPA states it will limit the resource size to the forecasted amount of load growth over a 5 year period.
    - Limiting the resource size to forecasted load growth over a 5 year period is unduly restrictive and limiting on customers' abilities to secure reasonably priced longer term power for their customers. Effectively, this limit would require customers to be in a power market more resembling a short term market than a long term market, which may drive up prices. The remarketing service should be available for resource sizes that would cover at least 10 years of load growth.

- We will have additional comments on RSS following the clarification session.
- Pages 59 to 62, LDD. NRU supports this approach to implementing LDD in a tiered rates construct,
- Pages 62 to 64. NRU supports the approach to irrigation rate mitigation.
- Page 64. DSI service: BPA should not be making any sales of power to the DSIs.